GOVERNMENT OF INDIA
DEFENCE
LOK SABHA

UNSTARRED QUESTION NO:6757
ANSWERED ON:08.05.2003
IRREGULARITIES IN NAVY DEAL
RAMJI MANJHI

Will the Minister of DEFENCE be pleased to state:

(a) whether C&AG in one of its Report has found widespread irregularities in Navy deals and instances of uneconomic expenditure on spares, equipment and other stocks of sub-standard quality;

(b) if so, whether C&AG has advised Navy to identify high consumption use items and to procure them through open tender or rate contract only;

(c) whether C&AG has also found that instead of inviting open tender there was a pre-dominance of inviting single and limited tenders;

(d) whether there is any proposal to enquire into the same and bring to book the people responsible therefor; and

(e) if so, the steps taken or proposed to be taken to improve the purchase of stocks and stationary stores as well?

Answer

MINISTER OF DEFENCE (SHRI GEORGE FERNANDES)

(a) Most of the cases pointed out by the C&AG refer to the Logistics Delegation procurements between 1995 and 1997.Only 4 cases have been pointed out for the period reviewed out of lakhs of items procured. Hence these instances cannot be categorized as wide-spread.

(b) Naval Stores have strict specifications and cannot be acquired over the counter. Where it is possible to generate competition, Registered Suppliers with a reputation for quality are approached, or Open Tendering is resorted to. Commonly available items are procured through Rate Contracts concluded by DGS&D, NHQ and NHQ`s Materials Organisations. Hence C&AG`s recommendations are already under implementation.

(c) C&AG have pointed out Single Tendering but have done so by equating Proprietary Article Certificate (PAC) with Single Tendering. Almost 70% Naval Revenue Procurement is for spares and equipment, which are procured from the Original Equipment Manufacturers (OEM) on PAC basis.Particularly in the case of Ukraine and Russia, where monopolistic trade exists, such procurement is through their State Agencies, Ukrespetsexport and Rosoboron Export (ROE).Efforts to generate competition are made where there is availability with those few Russian firms who are permitted to deal with us directly. The position is similar in the case of procurement from Western Countries. It must be appreciated that specific equipment can be procured on either PAC or Limited Tender basis.

(d) As procurement is in conformity with approved procedure and C&AG guidelines, no individual was pointed out for punitive action either by C&AG or NHQ.

(e) The Defence Procurement Procedure of 1992 has been updated and the Ministry of Defence is strictly following Defence Procurement Procedure 2002. NHQ have put in place detailed procurement guidelines for procurement under Delegated Financial Powers.